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SOUTH VIETNAM: COSVN has updated its earlier guidance for increased fighting in the South by issuing detailed plans for an "offensive phase" during May and June. The latest guidelines [redacted] call for attacks against government forces, the heaviest of which may occur after June 1, aimed at establishing a more even military balance between the two sides.

The two-month campaign is to cover several parts of the country, especially the delta and the provinces north and west of Saigon. COSVN warns that in some of these areas "we may have to penetrate deep and pull out right away."

Intense government counterattacks are anticipated, and COSVN expects that "the schemes of both sides will be dirty and complex." Despite the fierceness of some of the attacks, the senior Communist command says that the fighting is not intended to "rekindle the war" and not "all our armed forces will be used."

These latest guidelines, which were set forth in early May, contain little new information on intentions but offer greater detail on the scope, timing, and intensity of the campaign. The bulk of the action apparently is to be concentrated against remote government outposts in an attempt to secure outlying areas and improve Communist access to the more heavily populated sections of the country.

The South Vietnamese are aware of the Communists' military plans and already have begun taking steps to counter them. The recent successful government operation against main-force units north and west of Saigon is an example, and plans to conduct similar operations elsewhere may take some of the muscle out of the Communists' punch.

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ISRAEL-SYRIA: Fighting on the Golan front increased yesterday after the low level of activity over the weekend. Tank and artillery fire began in the morning and continued throughout the day. Most of the firing was concentrated in the central sector of the front, east of Al Qunaytirah, where UN observers reported Syrian artillery fire. Some firing also was noted southeast of Sasa in the northern sector of the Israeli salient into Syria and in the Mount Hermon area.

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PORTUGUESE GUINEA: Leaders of the insurgent movement in Portuguese Guinea announced in Algiers yesterday that they are ready for an "immediate start of negotiations" with Lisbon "with or without a cease-fire." The announcement followed a meeting of the organization's executive committee.

Lisbon may respond favorably to the insurgents' initiative if it can do so without giving insurgents in Portugal's other African territories the impression it is setting a precedent. Lisbon has no economic stake in Portuguese Guinea and would like to end the stalemated and economically wasteful war in that territory. There are relatively few white settlers in the territory to resist a Portuguese pullout.

The insurgents in Portuguese Guinea are in a better position to win a political settlement from Lisbon than are the insurgent organizations in Angola and Mozambique. Last fall they proclaimed the state of "Guinea-Bissau," which has been recognized by over 60 African, Communist, and other Third World countries, as well as the Organization of African Unity. They hope to win UN membership at the next General Assembly session.

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*ITALY: The lopsided vote in favor of divorce in the Italian national referendum yesterday was a sharp rebuff to the dominant Christian Democratic Party and the Vatican, the major opponents of the divorce law. It was an unexpectedly large win for the broad pro-divorce grouping, which included the Christian Democrats' three coalition partners and the Italian Communist Party.

Many leaders of the Christian Democrats, including Prime Minister Rumor, who wanted to cancel the referendum and work out a compromise with the pro-divorce group, will hold Party leader Amintore Fanfani personally responsible for the blow dealt to the party's prestige. The Catholic hierarchy also will be acutely embarrassed by the outcome.

The Communists will claim major credit. Communist chief Berlinguer was from the outset the most active supporter of legalized divorce. Leaders of the other parties that endorsed divorce did not mount a major public effort until the final week of the campaign.

The outcome does not necessarily signal a growth in the popularity of the Communist Party, although the Communists will emphasize that they, rather than the Christian Democrats, were able to gauge public sentiment on this divisive issue. They will use this argument to reinforce their claims that the party is a respectable organization entitled to a role in the national government.

Though stung by the defeat, the Christian Democrats will remain the major voice in any political "clarification" that may be caused by the referendum. During the campaign, both the Christian Democrats and the Socialists--on opposite sides of the divorce

issue--stressed their intention to continue their collaboration. If tensions over the outcome of the referendum cause the government to fall, negotiations--although difficult--would probably begin on the formation of another center-left coalition.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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USSR: For the sixth successive year the party's Central Committee and the government have issued a joint decree providing specific guidelines for the grain harvest. Reducing harvesting losses is of regular concern to the leadership. The Soviet grain harvest starts in July and continues into October. Grain harvesting is a perennial problem in the Soviet Union because of a shortage of harvesting machinery, skilled and motivated manpower, grain drying facilities, and storage facilities.

This year's decree, like past ones, is designed to make sure that all agencies are prepared for the effort. For example, the decree authorizes the state bank to make emergency short-term loans to state and collective farms and authorizes the transfer of urban trucks and urban workers to rural areas to help with the harvesting.

This year, the spring sowing campaign has been slower than in the last two years. This, along with above-average winterkill, has raised the specter of a poor crop.



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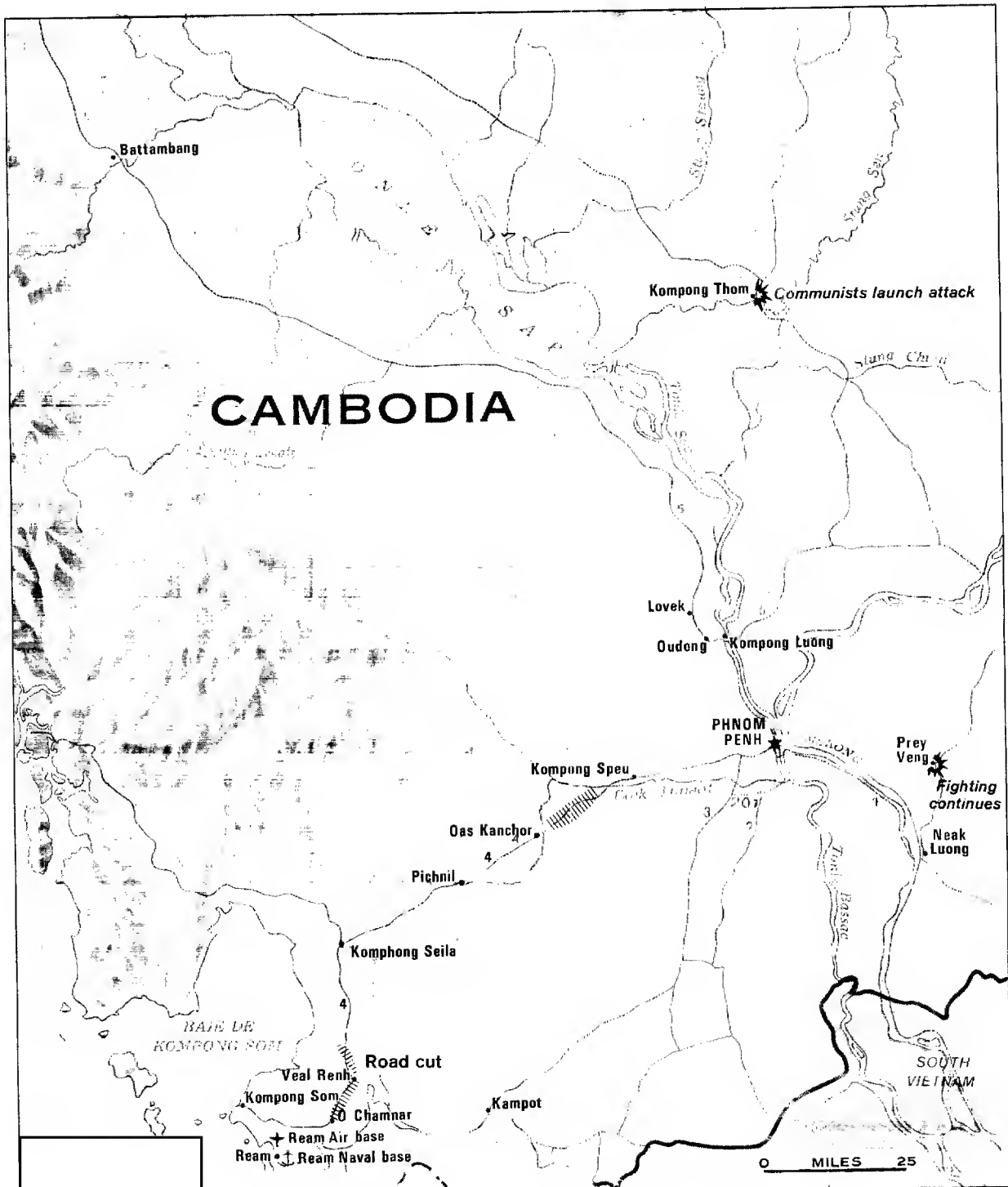
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CAMBODIA: Major military action remains centered in areas well removed from Phnom Penh. Khmer Communist forces have launched their anticipated push against the provincial capital of Kompong Thom, 75 miles north of Phnom Penh. Ground assaults against the city's outlying defenses have been repulsed, however, and the sporadic Communist artillery fire has caused little damage. The Khmer Air Force is still ferrying reinforcements to Kompong Thom.

East of Phnom Penh, insurgent gunners continue their intermittent shelling of Prey Veng City, while Communist ground units concentrate on exposed government outposts. [REDACTED]

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[REDACTED] Government ammunition and food stocks are ample and morale among the city's 4,000 defenders remains high.

In the southwest, the Cambodian Army is consolidating its positions along Route 4. Government holdings along the 90-mile stretch of highway between Kompong Speu City and Ream now comprise three garrisons and a few small outposts. The army high command is building up its forces at Ream by pulling additional units out of Kampot City. There are no indications thus far that the Communists are preparing for any major attacks against the navy and air force bases at Ream. [REDACTED]

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JAPAN: Small firms in Japan's politically important textile industry are putting pressure on the government to impose trade restrictions aimed at slowing the rapid growth of textile imports. Japan's textile imports soared last year to about \$1.5 billion--roughly four times the 1972 level. Japanese producers are concerned about the surge in imports, especially because domestic demand has dropped off during the current economic slump.

Tokyo will probably take action soon to moderate textile import growth, perhaps before Diet elections are held in July. Import curbs most likely would take the form of informal controls, such as administrative guidance or selective import licensing, rather than formal restrictions, which would antagonize foreign suppliers and domestic consumer groups. In addition to seeking import curbs, small firms are pressing for some \$800 million in government subsidies. The subsidies would help Japanese producers compete with lower cost suppliers in Japan as well as in overseas markets.

Last year's currency realignments and rising wages for Japanese textile workers have made US and other foreign-made textiles more competitive in the Japanese market. Import curbs would adversely affect US textile sales to Japan, which have begun to increase sharply over their previously low levels. US sales to Japan last year totaled some \$135 million. Taiwan and South Korea, however, would be hurt most. Japan is their fastest-growing overseas market for textiles, the principal export of Seoul and Taipei. South Korean textile sales to Japan rose over 200 percent last year while those of Taiwan were up even more sharply. Japan now takes over 40 percent of South Korea's textile exports and over 15 percent of Taiwan's.

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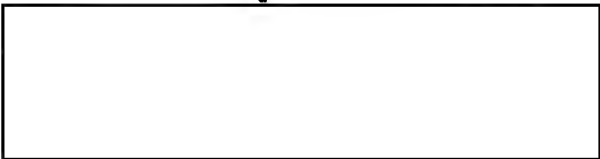
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